ILLINOIS BUSINESS REVIEW

A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS

PUBLISHED BY . . . .
BUREAU OF ECONOMIC AND BUSINESS RESEARCH
COLLEGE OF COMMERCE · UNIVERSITY OF ILLINOIS

VOLUME XV | DECEMBER, 1958 | NUMBER 12

THE UNIVERSITY OF CHICAGO LIBRARY
DEC 30 1958
PER R. R.

HIGHLIGHTS OF BUSINESS IN NOVEMBER

The business recovery showed further progress in November. The index of industrial production, which had gained only 1 percentage point in October, moved up about 3 points to 141 (1947-49 = 100) as auto output expanded. Preliminary estimates placed department store sales 36 percent above the 1947-49 average on a seasonally adjusted basis, 1 point over the two preceding months and 3 points over November, 1957. Heavy construction awards, which ran above both 1956 and 1957 contracts in the summer months, have been 5 percent or more below the corresponding 1957 period in the last two months. On the other hand, total construction outlays have held up well. Lumber output in November was about 10 percent higher than the 1957 month and close to the 1956 volume.

Steel production averaged about 2 million tons a week in November, about the same as last month. Outputs of electric power, bituminous coal, petroleum, and paperboard, among the weekly indicators, held close to their respective October levels. Freight carloadings showed some improvement, after allowance for seasonal factors.

Business Spending Down

Business spending on new plant and equipment in the third quarter of 1958 slipped to a seasonally adjusted annual rate of $29.6 billion, $710 million below the second quarter rate and $8.1 billion below last year's third quarter rate. Spending by manufacturers fell by nearly the whole amount of the decline from the second quarter, with reductions of $410 million by durable goods and $260 million by nondurable goods producers. Smaller decreases occurred in mining, railroads, and other transportation. Small gains were registered by public utilities and by commercial and other enterprises.

The third quarter rate was $710 million under the rate anticipated in a survey made three months ago. The earlier estimate for the fourth quarter has been reduced $1 billion to $29.9 billion and first quarter, 1959, outlays are estimated at $30.5 billion. Although these last two estimates would indicate that an upturn in business spending is under way, it should be noted that anticipations have consistently exceeded actual outlays in recent quarters.

Auto Production Jumps

Slightly more than 514,000 passenger cars were produced in November, an output nearly double that of October and the highest for any month this year. The total for the month was still 11 percent behind November, 1957, but this was the best year-to-year comparison thus far in 1958.

Sales in November were reported at about 370,000, resulting in the highest daily average of any month this year and only 14 percent below that for the corresponding period last year. Continuing shortages in some lines may have held down sales in the first part of the month, but it seemed likely that well over 100,000 cars were added to dealers' stocks by the end of the month, bringing the total to about half a million.

Construction Stays High

The value of new construction put in place amounted to $4.4 billion in November, down a less-than-seasonal $300 million from October and still $200 million above November, 1957. It raised outlays for the first eleven months of this year to nearly $45 billion, an increase of $600 million over the corresponding period last year.

Gains in housing and most types of nonresidential construction, offsetting the sharp decline in industrial building, pulled private spending for the first eleven months within $200 million of the $31.2 billion laid out in the same period of 1957. Public construction, amounting to nearly $14 billion through November, was $800 million ahead of last year at the same time, with public housing and highways still supplying the main strength.

Sales Up, Inventories Down

Sales by manufacturers and distributors continued to expand in October, the seasonally adjusted total reaching $55.7 billion for a gain of $900 million over September and $400 million over October, 1957. Some $500 million of the increase during the month went to manufacturers and more than half of their gain was in durable goods sales. Retailers' sales advanced $400 million, bringing their adjusted total to $17.0 billion, with three-fourths of the rise coming in durables.

Business inventories in October were reduced another $200 million to $84.8 billion, after allowance for seasonal influences, as a result of further reductions of stocks in the hands of auto dealers. Manufacturers' stocks at $49.3 billion held steady for the first time since August, 1957, when they reached an adjusted high of $54.2 billion.

New orders received by manufacturers rose to $27.8 billion in October on an adjusted basis, $800 million over September. The backlog of unfilled orders dropped $300 million to $45.9 billion.

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ILLINOIS BUSINESS REVIEW

Monthly except July-August when bimonthly

BUREAU OF ECONOMIC AND BUSINESS RESEARCH
UNIVERSITY OF ILLINOIS

Box 658, Station A, Champaign, Illinois

The material appearing in the *Illinois Business Review* is derived from various primary sources and compiled by the Bureau of Economic and Business Research. Its chief purpose is to provide businessmen of the State and other interested persons with current information on business conditions. Signed articles represent the personal views of the authors and not necessarily those of the University or the College of Commerce. The *Review* will be sent free on request.
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Effects of Automatic Stabilizers

There is fairly widespread acceptance of the idea that the recession of 1958 was ended by the action of the "built-in" or "automatic" stabilizers, which are supposed to offset or compensate for cyclical fluctuations. This result is often held to demonstrate the "lesson" that these stabilizers will always be "successful in preventing deflation." Since the facts do not really justify this view, the whole proposition stands as another aspect of the popular detachment from rationality that was described here two months ago as a "bogey of inflation."

Practically everything that supported the economy against the decline earlier this year has been unthinkingly referred to as a "stabilizer." In many cases there is neither justification for the use of this label nor any reasonable expectation that the items in question could again put in a timely appearance to counteract future declines.

Monetary policy is often included in these discussions, but its role is complicated and cannot be discussed here. Since such action is subject to discretion, it need not be considered automatic in character. However, it may be assumed that the monetary authorities will act when the situation seems to call for stabilization. What effects last winter's easy money policy (see article, p. 6) may have had in raising the level of activity is not easy to determine. All segments of the economy, including the stock market, were affected by other influences also, and usually these other influences were more direct, so that the contribution of monetary action remains in doubt.

Government Purchases in the Recession

In the sphere of fiscal policy, it is possible by adding together all items of increase in government spending and of tax reduction to build up a total almost as large as the $20 billion decline in gross product from the third quarter of 1957 to the first quarter of 1958. This not only overlooks the fact that gross national product already includes government purchases of goods and services but also tends to misrepresent the effects of other changes in the government accounts.

The largest increases in government purchases of goods and services were made by state and local government units. These were largely in line with the advances of recent years, and like past boom-time demands for public facilities of all kinds, they typically lag somewhat behind the cycle in private activity. No doubt some 1958 projects were of an anti-recessionary character. The upsurge in highway building, for example, was stimulated by federal funds made specially available. But this stimulus was specific to the situation and is properly a federal rather than a state and local contribution.

Various other federal programs have also been expanded — notably defense, housing, farm, transfer payments, and pay increases for federal employees. With the exception of transfer payments, none of these belongs in the category of automatic stabilizers:

1. Increases in defense spending began with the sputniks; it took several months to reverse the downward movement under way last fall, and subsequently, the disturbances in Lebanon and Quemoy added fuel to the fire. Military considerations were decisive in this area.

2. Housing was stimulated by actions taken to make terms easier to home buyers and to make funds available for mortgage financing. The actions taken in this area also were *ad hoc* and could not be automatically repeated on other occasions.

3. Farm price supports are more generally thought of as part of the regular stabilizing mechanism. This program was originally conceived as an anti-depression measure to protect farmers against falling nonfarm income. This year, by the third quarter, personal income was back up to record highs. The increases in government purchases of farm commodities were due, therefore, not to falling income but to record production.

4. The pay increases for government employees were provided by special legislation. They are primarily the result of well-known lags in bringing government compensation into line with rising incomes in the private economy.

Tax Changes Not Important

The tax reductions that occur with declining output and incomes are also regarded as an important part of the built-in stabilizers. The total tax payable by business and individuals declined by an annual rate of $7 billion from the third quarter of 1957 to the first quarter of 1958 and then recovered about 80 percent of this loss by the third quarter. The decline is seemingly impressive, but the favorable impression disappears on analysis.

State and local taxes contributed nothing to recovery, since they continued to rise during the recession. They were at a rate about a billion higher in the recent third quarter than a year earlier.

Personal income taxes underwent only minor changes, since income remained fairly steady. A decline of about $1 billion was followed by an almost equal recovery, so that the stimulating effect of the reduction had been washed out by the third quarter.

The most important "cushion" for personal income was the sharp decline in corporate profits. A drop of $12 billion in the reported annual rate of profits absorbed more than half of the extreme decline in gross product. The tax bill on corporate income dropped by roughly half as much, or about $6 billion. Dividend payments dipped moderately in the final quarter of 1957 and then regained most of the loss. Hence, the decline in corporate profits was allocated half to corporate saving and half to federal profits taxes.

It is hard to see any important positive contribution from this loss of taxes. Ordinarily tax reductions would tend to increase business spending. In this instance,

(Continued on page 8)

MILK AND DAIRY PRODUCTS

Milk production in this country was started in 1607 when milk cows were brought here by the Jamestown settlers. The cow, unknown as a domestic animal to the American Indian, was of singular importance to early settlers because it provided a dependable, as well as a mobile, source of food.

From ancient times until the nineteenth century, the character of milk production and use changed little. Milk cows generally were distributed according to human population and typically each family's dairy provisions were supplied by a single cow. But the mushrooming growth of large cities in the early nineteenth century separated urban residents from the farms, and the city dwellers could no longer be self-sufficient in milk production. Dairy farms then developed to meet the growing demand for milk products.

Production of butter and cheese had become commercialized in some areas by the time of the Civil War. Cheese factories had appeared as early as 1831 because specialized manufacturers could make uniform cheese more efficiently than the farmer. Butter factories, however, were not established until about thirty years later because farmers found that butter-making — unlike cheese-making — imposed little inconvenience, inasmuch as it did not require immediate and daily attention.

By the close of the century the dairy industry was becoming more diversified as the number of products with commercial potential increased. For example, ice cream, although long known as a dessert, did not become a widespread commercial product until 1890, after the introduction of the mechanical refrigerator. Evaporated milk was produced commercially in 1885 in the United States, and milk was first dried successfully in 1901. Since 1900, milk products have been further developed for a wide variety of industrial uses, such as paint, glue, plastics, dyes, explosives, textiles, and pharmaceuticals.

Dairy Products Today

Milk products are the most popular food in the United States today, accounting for more than 17 percent of the dollar value of all foods consumed. Total milk production, which has been rising steadily during this century, reached a new record of 127 billion pounds in 1957. Moreover, the Department of Agriculture estimates that this total will be exceeded in 1958.

Although milk production has been climbing, the number of milk cows declined 19 percent to 20.6 million between 1944 and 1957. Improved breeding, dairy technology, and management, resulting in increased productivity per cow, have been the chief sources of continued production gains. The pattern of the past two decades has been toward fewer farms with milk cows but with larger herds per farm.

Milk is most commonly used in its fresh form. More than 47 percent of the total supply marketed last year consisted of fresh fluid milk or cream. Butter accounted for 25 percent; cheese, 11 percent; ice cream and other frozen products, 7 percent; evaporated and condensed milk, 5 percent; and dry whole milk, 1 percent. The remaining 4 percent was used for factory products and for feeding calves.

Nationally, there are more than 11,500 establishments engaged in the manufacture of all types of milk food products. The fresh milk dairies comprise about three-fifths of this total. The Midwest is easily the nation's leading region in the manufacture of all types of dairy products. Five states (Illinois, Indiana, Ohio, Michigan, and Wisconsin), with 25 percent of the milk cow population, account for 59 percent of the nation's total production of American cheese, 39 percent of the evaporated milk, 30 percent of the cottage cheese, and 28 percent of the creamery butter.

The Industry in Illinois

Although Illinois accounts for only 4 percent of the country's milk production, it has nearly 500 plants that make it a major manufacturer of certain milk products, such as cheese, ice cream, ice milk, and dry milk. Last year approximately 5.2 million pounds of milk were produced on the State's 13,000 dairy farms. Nearly one-half of the total production came from the 23 counties in the northern section of the State.

Illinois has three major fresh milk markets — the Chicago, Peoria, and St. Louis areas. The fresh milk supply is usually located near the centers of consumption in order to reduce transportation costs and perishability. Chicago and Peoria draw their supply from the nearby heavy-producing areas of northern Illinois. The St. Louis area is supplied by a number of important Illinois counties, including Clinton, Randolph, and Madison. Cook County is the largest center for the manufacture of all kinds of dairy products in the State, having more than a third of the total dairy products plants.

Illinois has continued to play an increasingly larger role in cheese production. Output of cheese jumped from 5 million pounds in 1919 to about 124 million pounds in 1957. Production of cottage cheese, a nutritious by-product, vaulted spectacularly between 1944 and 1957, experiencing a 250 percent increase to 31 million pounds.

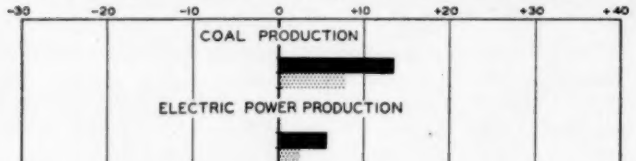
Ice cream manufacture in Illinois rose from 28 million gallons in 1945 to 33 million gallons in 1957. This increase has been attributed chiefly to population growth. Production of ice milk, a product made popular by its low price and availability at roadside stands, has increased nationally more than tenfold in the past decade. Illinois, with an annual output of more than 7 million gallons, is second only to California in production.

The trend of the past three decades indicates that dairy farming is becoming secondary to beef farming in Illinois. The proportion of dairy cows to total cattle numbers has dropped from 50 percent in 1930 to about 20 percent today. This shift in emphasis makes it appear that the State has reached a fixed level in total milk production and in processing plants. The milk cow population and the number of dairy farms are expected to decline further, but technology should nevertheless keep milk production near or slightly above the ten-year average of 5.1 million pounds.

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage changes September, 1958, to October, 1958



* No change.

ILLINOIS BUSINESS INDEXES

Item	October 1958 (1947-49 =100)	Percentage change from Sept. 1958	Percentage change from Oct. 1957
Electric power[1]	230.9	+ 5.7	− 0.5
Coal production[2]	88.9	+13.5	− 5.0
Employment—manufacturing[3]	94.8	− 0.2	−10.1
Weekly earnings—manufacturing[3]	162.1[a]	+ 2.7	+ 3.2
Dept. store sales in Chicago[4]	119.0[b]	0.0	+ 2.6
Consumer prices in Chicago[5]	127.3	− 0.1	+ 2.1
Construction contracts awarded[6]	313.8	−12.8	+11.1
Bank debits[7]	201.6	+ 8.2	+ 5.8
Farm prices[8]	85.0	− 2.3	+ 4.9
Life insurance sales (ordinary)[9]	308.8	+ 9.5	+ 7.0
Petroleum production[10]	127.8	+ 1.6	− 5.7

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U. S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.

[a] September data; comparisons relate to August, 1958, and September, 1957. [b] Seasonally adjusted.

UNITED STATES MONTHLY INDEXES

Item	Oct. 1958	Percentage change from Sept. 1958	Percentage change from Oct. 1957
	Annual rate in billion $		
Personal income[1]	357.5[a]	− 0.1	+ 2.0
Manufacturing[1]			
Sales	326.4[a]	+ 1.5	− 2.9
Inventories	49.3[a, b]	0.0	− 8.9
New construction activity[1]			
Private residential	20.7	− 1.0	+ 8.7
Private nonresidential	17.7	− 1.0	− 5.5
Total public	18.8	− 2.4	+ 6.9
Foreign trade[1]			
Merchandise exports	16.3[c]	− 2.5	−11.6
Merchandise imports	13.4[c]	+17.2	+10.6
Excess of exports	2.9[c]	−44.6	−53.8
Consumer credit outstanding[2]			
Total credit	43.2[b]	− 0.2	+ 0.3
Installment credit	33.1[b]	− 0.3	− 0.6
Business loans[2]	33.3[b]	+ 0.3	− 4.5
Cash farm income[3]	39.4[c]	+14.8	+12.0
	Indexes (1947-49 =100)		
Industrial production[3]			
Combined index	138[a]	+ 0.7	− 2.8
Durable manufactures	145[a]	0.0	− 7.1
Nondurable manufactures	134[a]	+ 0.8	+ 3.1
Minerals	121[a]	− 0.8	− 4.7
Manufacturing employment[4]			
Production workers	94	− 1.1	− 8.8
Factory worker earnings[4]			
Average hours worked	99	− 0.8	+ 0.3
Average hourly earnings	160	− 0.5	+ 1.9
Average weekly earnings	159	− 1.2	+ 2.2
Construction contracts awarded[5]	334	+ 2.9	+26.6
Department store sales[2]	135[a]	0.0	+ 4.7
Consumer price index[4]	124	0.0	+ 2.1
Wholesale prices[4]			
All commodities	119	− 0.1	+ 1.0
Farm products	92	− 0.9	+ 0.9
Foods	110	− 1.1	+ 4.2
Other	126	+ 0.2	+ 0.5
Farm prices[3]			
Received by farmers	93	− 2.1	+ 4.5
Paid by farmers	123	+ 0.8	+ 4.2
Parity ratio	82[d]	− 3.5	+ 1.2

[1] U. S. Dept. of Commerce; [2] Federal Reserve Board; [3] U. S. Dept. of Agriculture; [4] U. S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.

[a] Seasonally adjusted. [b] As of end of month. [c] Data are for September, 1958; comparisons relate to August, 1958, and September, 1957. [d] Based on official indexes, 1910-14 = 100.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item	1958 Nov. 29	1958 Nov. 22	1958 Nov. 15	1958 Nov. 8	1958 Nov. 1	1957 Nov. 30
Production:						
Bituminous coal (daily avg.) thous. of short tons	1,508	1,488	1,467	1,433	1,423	1,637
Electric power by utilities mil. of kw-hr.	12,274	12,579	12,378	12,311	12,330	11,613
Motor vehicles (Wards) number in thous.	142	164	141	150	117	132
Petroleum (daily avg.) thous. bbl.	6,983	6,975	6,968	7,003	6,911	6,829
Steel 1947-49=100	115	116	117	117	117	107
Freight carloadings thous. of cars	539	619	644	658	674	554
Department store sales 1947-49=100	171	169	157	148	136	170
Commodity prices, wholesale:						
All commodities 1947-49=100	119.1	119.1	119.2	118.7	118.6	118.1[a]
Other than farm products and foods 1947-49=100	126.9	126.8	126.8	126.2	126.1	125.9[a]
22 commodities 1947-49=100	87.9	87.8	88.3	87.6	86.8	84.4
Finance:						
Business loans mil. of dol.	30,599	30,608	30,602	30,444	30,337	31,527
Failures, industrial and commercial number	244	260	274	331	299	235

Source: *Survey of Current Business, Weekly Supplements.*

[a] Monthly index for November, 1957.

RECENT ECONOMIC CHANGES

Wholesale Prices

Wholesale prices, on the average, continued substantially level, falling less than one-tenth of 1 percent during October to 119.0 percent of the 1947-49 average. The slight decline reflected lower prices for farm products and processed foods which were only partially offset by small advances in industrial prices. Since the spring of 1958, the comprehensive index of wholesale prices has held fairly steady.

The recent increases in the prices of commodities other than farm products and foods followed a period of more than a year in which there was little change in this broad group. Before that, industrial prices were the main factor in the general upward trend in the wholesale price index which began in the summer of 1955 (see chart).

During October the average prices of farm products fell by 0.9 percent and processed foods by 1.1 percent. The decreases were due primarily to price declines for livestock, meats, poultry, and eggs.

Building Contract Awards

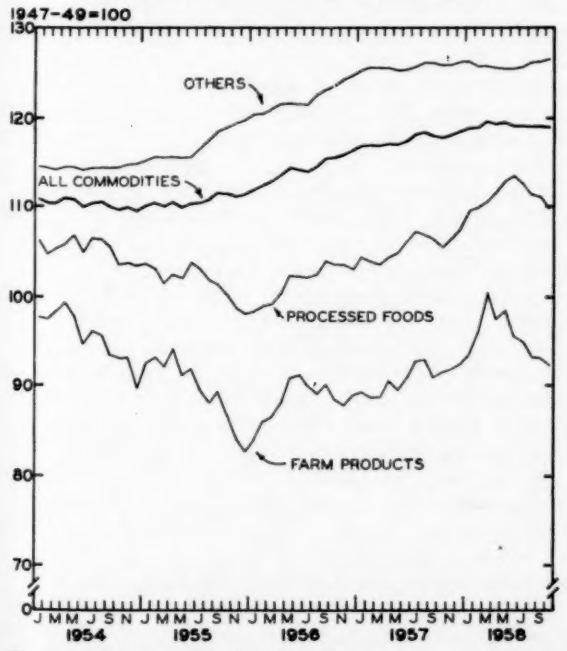
The F. W. Dodge Corporation reported that contracts awarded for future construction rose in October to $3.3 billion, a record for the month and 27 percent above the same month last year.

The largest dollar advance was in housing, which has shown increasing strength in recent months. October contracts covered 123,553 units, well above the 114,642 in September and 113,500 in August. The dollar value amounted to $1.6 billion, 37 percent above October, 1957.

Both other major categories of construction also rose above year-earlier levels. Nonresidential building awards went up 5 percent to $955 million, with increases in commercial, public, and religious buildings offsetting the continued year-long decline in manufacturing facilities. For the year to date, awards for manufacturing buildings are off 35 percent to $1.2 billion. Heavy engineering awards rose 41 percent to $759 million, with highways and electric power projects providing most of the increase.

The October contracts brought the total for the year to $30.3 billion, 9 percent above the level of the first ten months of 1957.

WHOLESALE PRICE INDEXES



Source: Bureau of Labor Statistics.

Retail Sales

Sales of retail establishments in October increased by slightly more than a billion dollars (unadjusted) to a total of $17.4 billion. After adjustment for seasonal factors, however, sales in October totaled $17.0 billion, compared with $16.6 billion in September and $16.9 billion in October, 1957.

Most of the $400 million advance in total sales during the month was accounted for by an increase in the sales of durable goods stores from $5.1 billion in September to $5.4 billion in October. Nondurable goods stores showed a smaller gain of $100 million, reaching an October total of $11.6 billion.

For the month, all major groups of retail stores showed increases over September sales. However, the furniture and appliance group, along with the automotive group, had sales below those of October, 1957.

Industrial Production

The Federal Reserve Board reported that its industrial production index moved up 1 percentage point in October to a seasonally adjusted 138 percent of the 1947-49 average. The latest figure represented a recovery of more than half of the recession decline from the 1957 summer high of 145 percent to the low of 126 percent in April, 1958. However, this year's October level was still 4 points under the 142 registered in the same month last year.

As the result of work stoppages in the auto industry and a strike in the glass industry, durable goods production remained unchanged in October at 145, compared with 156 in October, 1957. Auto production did show an increase from the unusually low September level but was still sluggish. At an adjusted figure of 67, the index for the auto industry was well below the 143 of October, 1957. Nondurable goods output continued upward and reached a record rate of 134.

Employment

Unemployment rose much less than normal in November, reducing the seasonally adjusted rate to 5.9 percent of the labor force, a ten-month low. The reason for the decrease was that the number of persons withdrawing from the labor force in November exceeded new jobseekers looking for holiday work. Normally, the reverse is true.

Most of the decline in the labor force, caused by the usual curtailment of farm work, was reflected in the 653,000 drop in total employment. However, the number of workers on factory payrolls rose contraseasonally by about 155,000 to 15.7 million, as major strikes in auto plants and related work stoppages in the metals and machinery industries were ended.

Census data, in thousands of workers, are as follows:

	Nov. 1958	*Oct. 1958*	*Nov. 1957*
Civilian labor force	68,485	69,111	68,061
Employment	64,653	65,306	64,873
Agricultural	5,695	6,404	5,817
Nonagricultural	58,958	58,902	59,057
Unemployment	3,833	3,805	3,188
Seasonally adjusted rate	5.9	7.1	4.9

IMPACT OF THE FEDERAL DEFICIT

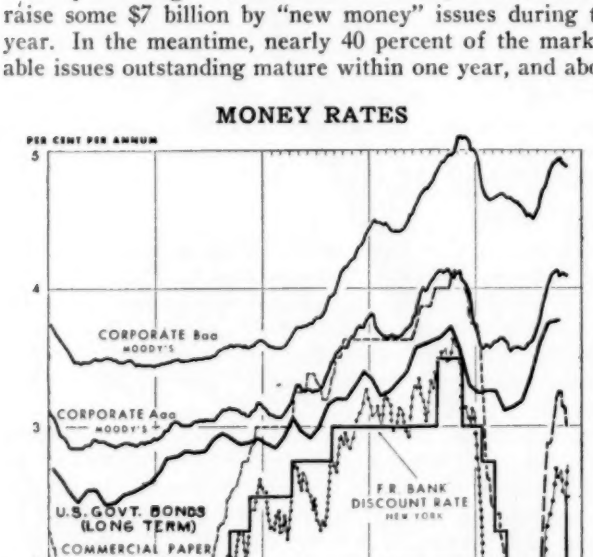
S. B. CHASE, JR., Instructor in Economics

During the extended hearings of the Senate Finance Committee on the nation's monetary and credit policy in the summer of 1957, former Treasury Secretary George M. Humphrey was moved to characterize the government's fiscal situation as "a mess." The problems revolved mainly around the management of the $275 billion federal debt, one of the most persistent causes of Treasury headaches being the necessity for continual refunding of short-term issues. Weekly trips to the money market for nearly $1.75 billion to refund maturing 91-day Treasury bills, interspersed with larger refundings of notes and certificates to the tune of $53 billion in 1957 were becoming increasingly expensive as interest rates rose in response to the tight money policy being pursued by the Federal Reserve. The bill rate reached a 24-year high of 3.64 percent in October, up from an average of 1.73 percent during 1955 (see chart).

By the spring of 1958 Humphrey's successor, Secretary Anderson, was confronted with a somewhat different debt problem. The recession had brought with it a reduction in expected government revenues, which meant a substantial increase in government borrowing would have to take place. Though the Federal Reserve was, at the time, following a policy of relatively easy money, any hopes Anderson had of financing a substantial part of the deficit at low interest rates have since been dashed. From a low of .58 percent in May, the Treasury bill rate has advanced to over 2.5 percent as the Federal Reserve has again tightened the market in the hope of stabilizing the price level.

Although the Treasury currently plans to cover a part of its predicted cash deficit of $13 billion for fiscal 1959 by drawing down its cash balances, it will have to raise some $7 billion by "new money" issues during the year. In the meantime, nearly 40 percent of the marketable issues outstanding mature within one year, and about $52 billion of savings bonds, redeemable on demand, pose a potential threat of additional cash stringency. Clearly debt management is a central problem of government finance during fiscal 1959. But the preoccupation of the Treasury with reducing the frequency of refundings and keeping down interest charges diverts attention from the really significant problems of debt management.

MONEY RATES



Source: Federal Reserve Board.

Differential Impact of Debt Financing

Principles of business finance are of little use in determining the proper objectives of federal debt management. The objectives of a privately owned business are not the same as those of a national government. Whereas a business need not be concerned with the relation of its own financing to the public interest, the government must be. The magnitudes of government finance assure that it will have profound effects on the performance of the economy, and the government must be held responsible for these effects.

The automatic decline in tax receipts which accompanies a recession is widely hailed as a "built-in-stabilizer" because it cushions the decline in disposable incomes, arresting the decline in spending. But it also occasions an increase in the federal debt which, if handled improperly, may tend to offset any beneficial effects following from the reduction in taxes.

The techniques employed by the Treasury in its management of the existing debt and its raising of $7 billion in new money will make their effects felt mainly in those sectors of the economy which depend on borrowed funds for their financing. The Treasury, like any other borrower, sells its debt by making it attractive enough to entice buyers away from holding other assets.

As sufficiently attractive offerings are made, funds will be drawn either from cash balances which would otherwise have remained idle or else from the markets for other assets, particularly securities. This latter effect will reduce funds available for private spending on consumer durable and investment goods. The economic function of debt management is to hold down private spending by just the "right" amount, so that there is room for the government spending without inflationary pressures. To the extent that Treasury sales merely soak up idle funds, they have no deflationary impact to offset the government spending. In a period when total spending is insufficient to generate full employment, this is desirable.

The precise effect depends importantly on the types of securities being sold. Among the marketable issues, which currently comprise about two-thirds of the total debt held outside government agencies and the Federal Reserve, sales of long-term government bonds displace, per dollar of sales, more private spending than to shorter-term issues. Whereas bonds compete mainly with high-grade corporate, state, and municipal bonds and mortgages, 91-day Treasury bills compete directly with private short-term financial instruments, such as short-term open-market commercial paper, or absorb cash reserves which would remain idle in the absence of high returns on Treasury bills. Though it would be a mistake to assume that bill sales pick up only idle cash, they certainly do so in greater proportion than do longer-term issues.

To the extent that government debt sales do reduce spending in the private sector, their impact will be differential, hitting hardest those industries which depend for

their markets upon the availability of credit. There is raised here a fundamental problem of equity, often unnoticed in discussions of the debt problem.

Perverse Aspects of Recent Debt Policy

In the light of the superior deflationary power of long-term bonds, it might seem strange that during the boom period of fiscal 1955-57, the Treasury did not issue any bonds. Since most of the debt management activity during those years involved the refunding of maturing issues, with very little change in the amount of total debt outstanding, the effect of the decline in the average maturity of the debt was to add to inflationary pressures. Why, in the face of severe criticism from the financial community, did the Treasury allow this to happen?

Although it is impossible to rationalize the policy fully, one of the main considerations was undoubtedly the lower interest costs of short-term issues. The Treasury has always been inclined to overemphasize the importance of keeping down the interest bill. The temptation to finance at low rates seems irresistible at times.

It is significant that during the fall of 1957, as the spread between the short- and long-term borrowing rates diminished in response to Federal Reserve credit tightening, the Treasury announced its first bond issue in over two years. That this action followed closely the downturn in industrial production reinforces the contention that debt management may conflict with the public interest, although the prevailing uncertainty as to the underlying trend of the economy makes this error understandable.

More difficult to rationalize has been the continuation of bond issues through the first half of 1958. Though the bill rate was considerably below the bond rate during this period, $15 billion of bond issues were included in the refundings of February and June. But since the bill rate had declined again as the Federal Reserve eased credit, the interest-saving advantages of short-term borrowing had reappeared. The most likely explanation is the attraction of a high average maturity in lessening problems of refunding. With several billion of new money to raise in the near future, the Treasury was perhaps contented to sacrifice interest savings in order to avoid refunding problems in the period ahead.

Again, as in the case of interest costs, overemphasis on this factor is dangerous because it can lead to policies not in harmony with the public interest. The "burdens" of high interest costs and frequent refunding are less significant for the economy than those which could result from management of the maturity pattern of the debt in a way that tends to reinforce economic fluctuations.

So far in fiscal 1959, the Treasury has managed, by drawing down its balances, to postpone some of its new money financing. Currently, the weekly bill issue has been stepped up to $1.8 billion so that in most weeks receipts from these sales exceed the amount of bills maturing by about $100 million. In addition, an October issue of $2.7 billion in special 219-day bills has set the pattern for further sales of this kind, the proceeds of which will go partly to refunding and partly to add new money. Other issues since June have consisted entirely of 1-to-5 year maturities in certificates and notes. Although the average maturity of the debt declined from June through November to just over five years, December refunding operations have raised it slightly.

Looking ahead, it seems unlikely that there will be any significant lengthening in fiscal 1959. To those who think that this is no time for the Treasury to be impinging on the availability of loan funds, the policy now being followed represents a move in the right direction. But it will be greeted with criticism from those who are alarmed over the prospect of inflation.

Federal Reserve Powers Partly Abdicated

The Federal Reserve System plays a role in debt management by dealing in government securities for its own account. Federal Reserve sales and purchases of securities have precisely the same economic impact as do such transactions by the Treasury. However, whereas the Treasury usually endeavors to minimize the effects of its operations on bank reserves by holding the proceeds of its issues in accounts with commercial banks until it is ready to spend them, Federal Reserve operations in government securities are conducted for the purpose of *controlling* member bank reserves.

Whatever its purposes, the Federal Reserve has, and exercises, powers of debt management. Because of its vast powers to create money, it has a *power* much greater than that of the Treasury over the magnitude of the debt held by the public, and its *powers* over the maturity distribution are at least as great as those of the Treasury.

For example, the Federal Reserve can, if it wishes, absorb more government debt than the Treasury issues during the present fiscal year, actually lowering the amount of debt held by the public. That it will not do so is a foregone conclusion, for the effect of its absorption of the $7 billion in "new money" issues would be to increase bank reserves sufficiently to allow the banks to increase their loans and investments, and consequently the supply of demand deposit money, by over $30 billion. Even if the Federal Reserve absorbed something less than $2 billion of the debt during the current fiscal year, commercial bank lending power would rise by more than enough to absorb the remaining $5 billion of the increase.

This, too, appears unlikely in the absence of a marked worsening of the general economic outlook, for a $7 billion increase in the money supply equal to the $7 billion of debt issues would be inconsistent with Federal Reserve intentions of allowing very little increase as long as prices and employment are not falling. That the Federal Reserve is willing to live with the present level of unemployment is indicated by its current policy of maintaining pressure on bank reserves.

However, this does not mean that all economic aid is being withheld. Since the reversal of the easy money policy in midyear, the discount rate at which member banks may borrow has been allowed to lag behind the Treasury bill rate. This has made it profitable for the banks to act as underwriters for Treasury issues, by borrowing reserves to hold them until markets develop. The Fed probably regards this as superior to giving direct support to the bill market, since it is extremely anxious to be absolved of responsibility for debt management. For this reason the Fed has imposed upon itself a policy of dealing in "bills only," arguing that this least interferes with the establishment of the pattern of interest rates by the competitive forces of supply and demand.

Support May Be Forced

The weakness of this position is, of course, apparent in a year such as this, for large-scale governmental invasions of the money and capital markets can hardly be regarded as "competitive market forces." The fact is that there can be no "natural" determination of interest rates in an economy where government operations in securities markets are of the magnitude found in the United States.

Be this as it may, the "bills only" policy assures that there is no chance of the Federal Reserve supporting the

prices of long-term issues unless disorderly markets develop, as happened last July when the Fed reluctantly stepped into the government bond market to halt a rapid decline blamed on speculative activity. But if efforts to keep the money supply constant in the face of huge Treasury issues result in a really drastic increase in rates, say to 3.5 percent on bills, without evidence of full recovery from the recession, it is reasonable to expect some supporting action in the form of either purchases of bills or a further lowering of bank reserve requirements. One thing not to expect is complete neutralization of the differential impact of the debt financing.

With the price level remaining stable, excess capacity in a number of major industries entailing "competitive markets," 6 percent of the labor force unemployed, and the Federal Reserve preoccupied with inflation, it would be heartening indeed if the Treasury could avoid trying to tap the long-term markets until conditions change for the better. The declining spread between the short- and long-term interest rates presents a temptation to issue bonds. If this can be avoided, increasing tightness in the bill market may push bill yields to a level embarrassing even to the Fed, possibly forcing some support of Treasury financing. Any inflationary effects of a consequent increase in the money supply can be taken care of when the time comes. It is not here yet.

Effect of Automatic Stabilizers

(Continued from page 2)

however, the recession originated in business operations, and the adjustment was made as rapidly as possible without regard for earnings or taxes. Business capital outlays have remained low. The most important factor in the recovery has been the cessation of inventory liquidation, and the movement to liquidate ran its course and came to an end for reasons independent of the tax saving.

The most that can be said is that the tax decline helped corporations to maintain the rate of dividend payments. A lag in dividends behind profits is the normal behavior revealed by a study of past cyclical movements. Perhaps efforts to maintain dividends were intensified in this instance. If so, the extra increment may be accounted for by such aspects of corporate thinking as prevalent notions about the responsibility of business for the overall level of economic activity and a desire to conceal the fears which were so strikingly evident in the inventory sell-off. In any case, it seems fair to say that maintaining dividends was the result of corporate policy and not of any dependable stabilizer.

Transfer Payments Help Hold the Line

Transfer payments are commonly thought of as the prototype of all automatic stabilizers. From the beginning of the decline these payments rose steadily and by the third quarter of this year were at a rate of $5.2 billion above the year before.

Only about half of this increase, however, consisted of unemployment compensation and other types of expenditure related to the recession. By far the larger portion of transfer payments consist of retirement and other old-age benefits, veterans' bonus and disability payments, assistance for the blind and for dependent children, and other programs that are not directly influenced by the level of activity. These accounted for over half of the $5 billion increase. They helped to strengthen the economy early this year, but that effect is largely coincidental.

The old-age program has been and will continue for some time on an upward trend that is basically irreversible and independent of short-term economic fluctuations. Not only do these payments fail to meet the definition of an automatic stabilizer but their contribution to stopping a recession is much lower than unemployment compensation because of the tax offsets. A dollar of old-age pension probably counts for more in economic activity than a dollar of payroll taxes subtracts. The difference, however, cannot be great on the average, say 10 to 15 percent of the dollar transferred.

Furthermore, whatever the increases in old-age benefits may have contributed to economic activity will be lost after the start of 1959. In passing 1958 legislation, Congress raised benefits but set up tax increases more than sufficient to cover the additional costs. In the words of the Senate Finance Committee, benefits "should be fully financed by appropriate changes in the tax schedule . . . so that the actuarial insufficiency is reduced to the point where it is virtually eliminated, namely below ¼ of 1 percent of payroll. . . ."

Changes under the 1954 and 1956 legislation had not provided tax receipts fully adequate to cover benefits for the greatly enlarged group of recipients. The 1958 legislation provided that on January 1, 1959, tax rates rise from 4½ to 5 percent and maximum taxable income from $4,200 to $4,800. The billion-dollar deficit of payroll tax receipts that has occurred this year will be wiped out next year and reserves will again be expanding. Hence, no further stimulus from the old-age programs will be experienced in the near future.

Liberalize Unemployment Compensation

Unemployment compensation is a more effective stabilizer in that it goes to families whose need is most urgent and comes largely from reserves so that the payments are not offset. Benefits from the state programs more than doubled this year, rising to $4 billion. Together with other unemployment programs and direct relief, the increase approached $2.5 billion, and in the aggregate these payments totaled just over 1 percent of gross national product. The large contribution of unemployment compensation was partly the result of the temporary program for extending the payment period from 26 to 39 weeks. Neither this nor direct relief are automatic but will again have to be specially provided to meet the needs of future recessions. One thing that could be done now would be the passage of legislation to strengthen the unemployment compensation program — both to increase benefits over the recent $31 a month average and to make possible extension of the term over which benefits are paid whenever emergency conditions in the labor market may develop.

In 1958, the increase in unemployment compensation and other transfer payments of a cyclical character offset about one-eighth of the decline in gross national product. Including the full effects of everything that can be considered automatic stabilizers, the combined offset was possibly twice as great. In combination they provided at best a small fraction of the remedy needed for the total problem. The result should not lead to false ideas about their effects in preventing depressions.

No doubt the stabilizers will always be supplemented by other government measures to counter a decline. Taking all of them together on this occasion — whether *ad hoc* or automatic — they offset about half of the decline in gross private product during fiscal 1958. Since some of these contributions were fortuitous, it is hardly accurate to say that a permanent solution of the problem of depression has been achieved. VLB

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Electrical Energy

The Lockheed Aircraft Corporation's Missile Systems Division has developed a new fuel cell which turns chemical energy into electrical energy in one step. The key to the success of the fuel cell is a material developed by Lockheed's researchers in the field of solid state physics. Experiments showed that 70 percent or more of the fuel's potential energy was converted into electrical energy. This conversion efficiency is far superior to that of steam and internal combustion engines.

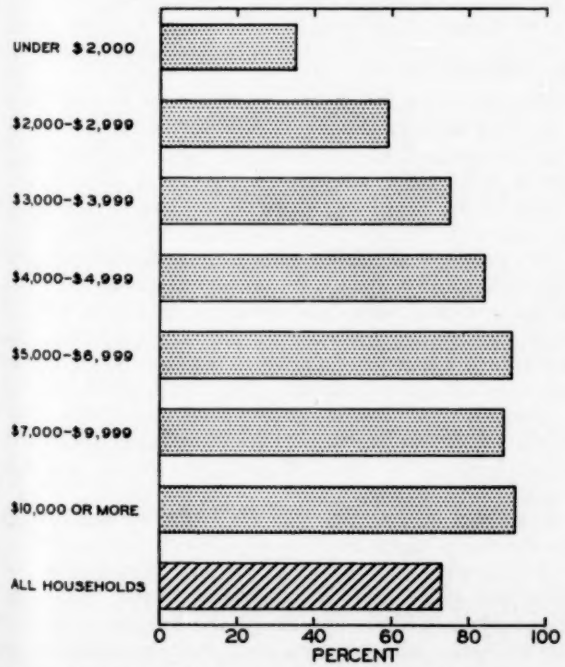
Since the new fuel cell is being designed to produce 100 watt-hours per pound, its commercial prospects are vast and run the gamut from communication systems and other gear aboard a space ship to the operation of industrial machinery. Electrification of rural areas and remote communication stations could also be accomplished more economically.

Some special features of this new fuel cell which indicate its greater effectiveness than other similar devices are adaptability to almost any size, depending on the power needed; absence of noise and fumes; ease of maintenance due to the lack of movable parts; immunity from the disintegration which afflicts the lead storage battery; and ability to operate on any one of a number of high-energy chemical fuels in either solid or liquid state.

Fewer Tools, More Work

According to the magazine *American Machinist,* the most striking fact that emerged from its recently completed Eighth Inventory of Metalworking Equipment was that the total number of machine tools installed in the metalworking industries has declined approximately 225,000 units, or 10 percent, since 1953. Even though the number has declined, industrial capacity during the same period has increased 40 percent. The increasing use of multi-station machines that perform numerous operations and the replacement of older machines with fewer and more productive machines are the two factors responsible for this decline in number of units in conjunction with an increase in capacity.

HOUSEHOLD OWNERSHIP OF AUTOMOBILES BY INCOME GROUPS, 1957



Source: *Automobile Facts and Figures, 1958.*

New Teletypewriter Setup

The Army and private industry have jointly developed a new teletypewriter setup which will handle 750 words a minute. Three basic units are new in this system: first, a teleprinter developed with the Burroughs Corporation which gains its speed by eliminating the motion of keys; second, a reperforator developed with Kleinschmidt Laboratories which duplicates punched tape for resending; and third, a transmitter developed with the Minneapolis-Honeywell Regulator Company which reads tape by means of photoelectric cells and then sends the appropriate electric signals to other units.

The new system will be useful to the communication industries, the news services, and business in general for communication among plants and branches. It makes possible a far larger volume of prepunched messages in less time with fewer machines and operators. It will be at least a year before all units are in production.

Buying Survey

The Census Bureau will begin a regular quarterly survey of consumer buying intentions in January, 1959. The emphasis will be placed on key durable goods such as automobiles, television sets, washers, and refrigerators. The survey will be experimental for at least one year, and the Bureau will publish none of the results until it is convinced of their usefulness. Its plan of operation is to attach questions on consumer buying intentions to its regular labor force survey every three months. The consumer survey will include 18,000 households across the country. By having periodic call-backs, the Bureau hopes to be able to determine whether households performed as they said they would in previous surveys.

Automobile Ownership by Households

The 1958 edition of *Automobile Facts and Figures* showed that 36.5 million households in the United States owned 43.4 million automobiles in 1957, an average of 1.2 cars per household. It was reported that 73 percent of the households owned automobiles and that 12 percent owned two or more. When ownership was classified according to income, it was found that 35 percent of those households with incomes of less than $2,000 owned automobiles, compared with an average of 91 percent in households with incomes over $5,000 (see chart). Of the households in the income classifications of $5,000 to $6,999, $7,000 to $9,999, and $10,000 or more, it was found that 16 percent, 23 percent, and 50 percent respectively owned two or more automobiles.

Ownership varied from a low of 56 percent of the households in cities of 500,000 or more to a high of 87 percent in the metropolitan suburbs. In the four major regions of the United States the West was high with 81 percent of the households owning cars, followed by the North Central with 79 percent, the South with 68 percent, and the Northeast with 67 percent.

LOCAL ILLINOIS DEVELOPMENTS

The major indexes of Illinois business showed diverse movements in October. Coal production experienced the greatest increase with 14 percent, life insurance sales rose 10 percent, and bank debits for selected Illinois cities gained 8 percent. The major decline during the month was in construction contracts awarded, which fell 13 percent, primarily because of seasonal factors. In addition there were slight declines in farm prices and manufacturing employment. Year-ago comparisons showed gains in all indicators with the exception of petroleum production, coal output, manufacturing employment, and electric power consumption (see p. 4).

Employment Service

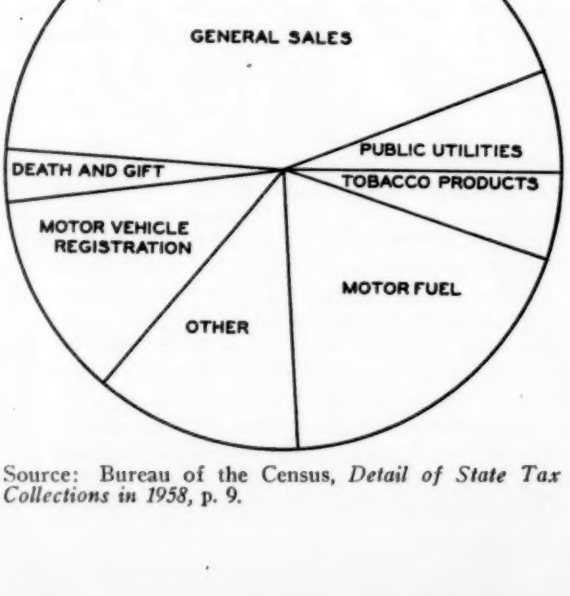
Data released by the Illinois State Employment Service show that a total of about 498,000 applicants sought employment through its offices in fiscal 1958, an increase of 36 percent from fiscal 1957. However, total placements made by the agency dropped approximately 14 percent from the fiscal 1957 level. The decline in placements occurred in 15 of the State's 21 manufacturing industries, in wholesale and retail trade, and in transportation. Gains in placements were reported in services and in finance, insurance, and real estate.

Road Testing

The American Association of State Highway Officials has commenced a two-year testing of six loops of highway pavement, a road to nowhere, built along an eight-mile right-of-way near Ottawa, Illinois. These six test loops, each with different specifications, have been constructed in accordance with rigid controls to determine what effects trucks of various weights have on the pavement, road bed, and bridges that make up the loops. Volunteer drivers of the United States Army Transportation Corps will drive trucks over the course at a constant speed of 30 miles an hour for eighteen hours a day, six days a week, during the two-year period. Mechanical and electronic equipment designed to record changes in the road bed and surface will report on the effects of the traffic on the various sections of the road.

The information gathered during the two years will help decide the load-carrying capacities of existing highways and how future roads will be built. The information will be studied to determine the maximum desirable dimensions and weights for vehicles using federal-aid highways and to arrive at an equitable distribution of the tax burden among various users of these highways.

STATE TAX COLLECTIONS, FISCAL 1958



Source: Bureau of the Census, *Detail of State Tax Collections in 1958*, p. 9.

Mineral Production in Illinois

According to preliminary estimates published by the Illinois State Geological Survey in *Mineral Production in Illinois in 1957*, total value of mineral production in Illinois amounted to $605 million in 1957. This was down 1.4 percent from the record high set in 1956, but still was higher than all other preceding years. The two leading minerals, oil and coal, contributed 70 percent — about $240 million and $185 million respectively — of the State total.

Illinois ranked eighth in the nation in oil production in 1957 and led all states lying east of the Mississippi River, having produced 43 percent of all oil coming from these states. Oil production was estimated to be about 77 million barrels, or approximately 7 percent less than in 1956. This decline in the volume of oil production was due largely to a temporary reduction of refinery operations caused by a strike and does not necessarily reflect a drop in potential production.

Coal and clay products were the only minerals that increased in value from 1956, rising 1 percent and 3 percent respectively. The State's coal industry was fourth in the nation and contributed approximately one-tenth of the national total. Clay products were valued at $61 million.

Illinois is the nation's leading producer of fluorspar, a mineral used in the chemical, ceramic, aluminum, and steel industries. The production of this mineral in 1957 was valued at $8.4 million. The other minerals produced in the State — stone, nonferrous metals, sand, and gravel — were valued at about $110 million.

Tax Collections

Total state tax collections in the United States reached an all-time high of $14.9 billion in fiscal 1958, according to preliminary data published by the Bureau of the Census. All of the major tax categories shared in the net rise of $473 million, which represents an increase of 3 percent over the previous year's tax collections.

Tax receipts in Illinois also were at a record high of $732 million, an increase of 6 percent from fiscal 1957. All major tax groups contributed to this rise, with the largest percentage increase coming from license collections, which advanced 8 percent. Receipts from the general sales or gross receipts taxes were next, with an increase of 7 percent. Selective sales and gross receipts taxes — levies placed on particular commodities or services such as motor fuels, liquor, and public utilities — gained only 4 percent.

From the accompanying chart, it can be observed that approximately three-fourths of Illinois tax revenues in fiscal 1958 were derived from general sales taxes, motor fuel taxes, and motor vehicle registrations. Automobile owners supplied three-eighths of the State's taxes in the form of levies on new and used cars, accessories, fuel, registration, licenses, and the automobiles as property.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

October, 1958

		Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS		$40,779[a]	1,105,466[a]	$524,232[a]		$17,621[a]	$16,235[a]
Percentage change from	Sept., 1958	+30.5	−2.7	+5.3	+9	+8.2	+10.6
	Oct., 1957	+46.4	+0.0	−7.0	+2	+5.8	+8.4
NORTHERN ILLINOIS							
Chicago		$23,413	837,354	$381,401		$16,071	$14,142
Percentage change from	Sept., 1958	+16.3	−0.8	+5.8	+10	+7.9	+10.7
	Oct., 1957	+23.9	+0.5	−5.2	+3	+6.0	+7.2
Aurora		$1,095	n.a.	$ 8,856		$ 72	$ 152
Percentage change from	Sept., 1958	+26.2		+9.8	+2	+3.8	+5.5
	Oct., 1957	+74.6		+6.2	+26	+6.2	+16.0
Elgin		$1,751	n.a.	$ 5,995		$ 49	$ 111
Percentage change from	Sept., 1958	+437.1		+4.4	n.a.	+11.3	+25.6
	Oct., 1957	+550.9		−5.9		+11.7	+2.0
Joliet		$3,773	n.a.	$10,016		$ 90	$ 106
Percentage change from	Sept., 1958	+539.5		+9.1	−6	+13.5	+24.7
	Oct., 1957	+127.0		−19.6	+1	+5.9	+12.8
Kankakee		$ 313	n.a.	$ 4,911		n.a.	$ 53
Percentage change from	Sept., 1958	−6.0		+9.8	n.a.		−7.0
	Oct., 1957	−54.8		−10.3			+24.4
Rock Island-Moline		$1,041	24,804	$10,214		$ 117[b]	$ 167
Percentage change from	Sept., 1958	−16.3	−4.2	−1.0	n.a.	+13.7	+15.4
	Oct., 1957	+84.2	+4.7	−2.1		+8.7	+15.8
Rockford		$1,223	42,514[c]	$16,164		$ 190	$ 226
Percentage change from	Sept., 1958	+13.0	−4.3	+8.2	+11	+10.9	+9.7
	Oct., 1957	−27.2	+0.9	−18.1	+5	+0.3	+16.9
CENTRAL ILLINOIS							
Bloomington		$ 900	8,514	$ 5,467		$ 82	$ 108
Percentage change from	Sept., 1958	+429.4	+3.4	+6.1	n.a.	+15.5	+9.1
	Oct., 1957	+725.7	+9.8	−6.0		+14.9	+23.9
Champaign-Urbana		$ 603	12,706	$ 8,340		$ 94	$ 134
Percentage change from	Sept., 1958	+88.4	−0.8	+16.3	n.a.	+27.0	+27.3
	Oct., 1957	+90.2	+18.5	−3.3		+9.8	+34.7
Danville		$ 161	12,575	$ 5,837		$ 53	$ 76
Percentage change from	Sept., 1958	−46.7	−7.3	+1.0	+6	+6.6	+15.6
	Oct., 1957	+49.1	+7.0	−14.5	−3	−1.3	+14.7
Decatur		$3,391	33,351	$10,904		$ 151	$ 121
Percentage change from	Sept., 1958	+303.2	−6.1	−1.9	+2[c]	+23.5	−7.6
	Oct., 1957	+326.5	−6.0	−17.0	+6[c]	+3.4	+12.5
Galesburg		$ 785	9,310	$ 4,617		n.a.	$ 46
Percentage change from	Sept., 1958	+77.6	−2.8	+5.2	n.a.		−2.2
	Oct., 1957	+140.1	+13.6	−8.3			+28.3
Peoria		$ 418	42,355[c]	$16,202		$ 254	$ 291
Percentage change from	Sept., 1958	−87.6	−21.5	+3.3	+3[c]	+7.5	+11.4
	Oct., 1957	+26.3	−16.4	−14.6	−3[c]	+0.6	+22.5
Quincy		$ 566	9,666[c]	$ 4,945		$ 53	$ 75
Percentage change from	Sept., 1958	+139.8	−6.3	+4.4	+16	+17.5	+6.4
	Oct., 1957	+136.8	−19.3	−7.1	+1	+5.6	+23.5
Springfield		$ 912	36,549[c]	$12,671		$ 135	$ 266
Percentage change from	Sept., 1958	+75.0	−2.9	−2.7	+12[c]	+5.8	+4.3
	Oct., 1957	+52.0	+6.5	−13.6	0[c]	+7.2	+16.1
SOUTHERN ILLINOIS							
East St. Louis		$ 117	12,892	$ 8,523		$ 167	$ 76
Percentage change from	Sept., 1958	−45.8	−15.2	+0.7	n.a.	+7.3	+13.9
	Oct., 1957	−41.2	+2.0	−11.6		+0.5	−4.4
Alton		$ 62	13,773	$ 4,652		$ 42	$ 37
Percentage change from	Sept., 1958	−36.7	−5.1	+5.5	n.a.	−1.7	+9.8
	Oct., 1957	−80.6	−4.2	−11.3		+9.6	+12.7
Belleville		$ 255	9,104	$ 4,518		n.a.	$ 49
Percentage change from	Sept., 1958	+60.4	−17.8	+2.5	n.a.		+7.6
	Oct., 1957	+114.3	+11.6	−13.6			+25.4

[a] Total for cities listed. [b] Includes East Moline. [c] Includes immediately surrounding territory. n.a. Not available.

Sources: [1] U. S. Bureau of Labor Statistics. Data include Federal construction projects. [2] Local power companies. [3] Illinois Department of Revenue. Data are for September, 1958. Comparisons relate to August, 1958, and September, 1957. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. Department store sales percentages rounded by original sources. [5] Local post office reports. Four-week accounting periods ending October 17, 1958, and October 18, 1957.

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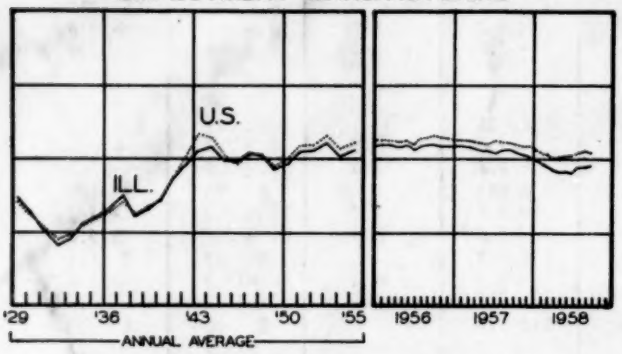
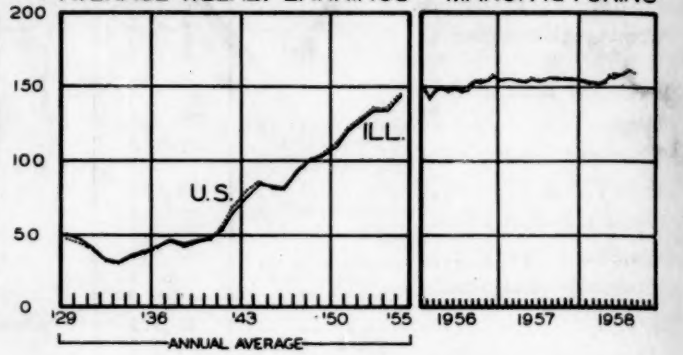
INDEXES OF BUSINESS ACTIVITY

1947-1949 = 100

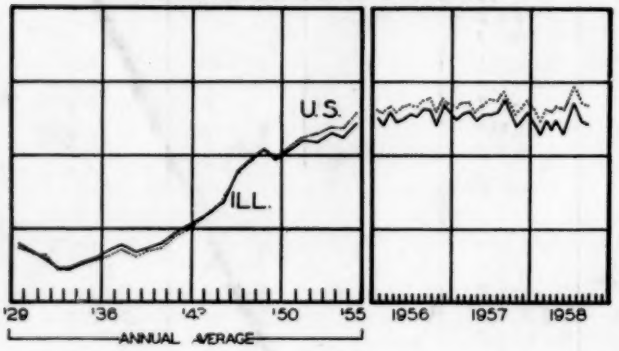
EMPLOYMENT MANUFACTURING



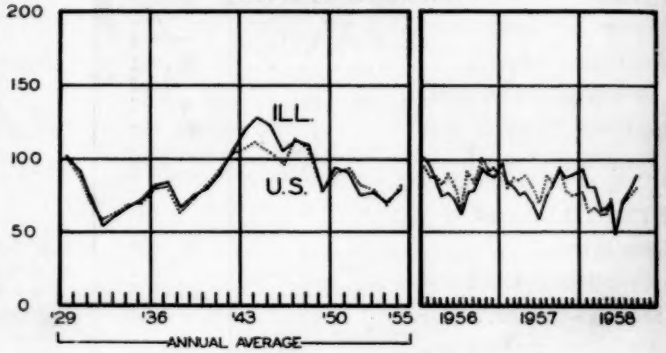
AVERAGE WEEKLY EARNINGS - MANUFACTURING



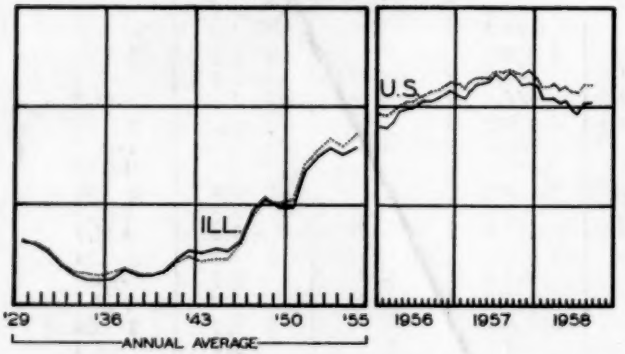
DEPARTMENT STORE SALES



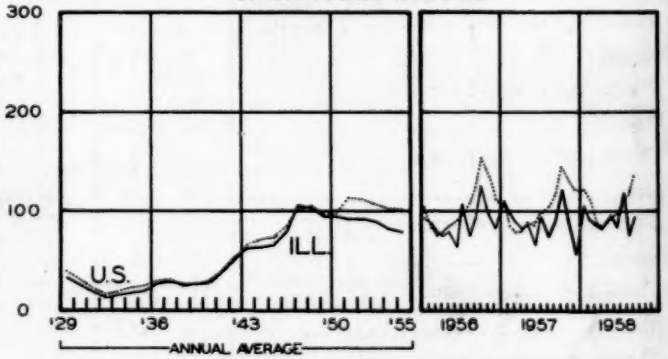
COAL PRODUCTION



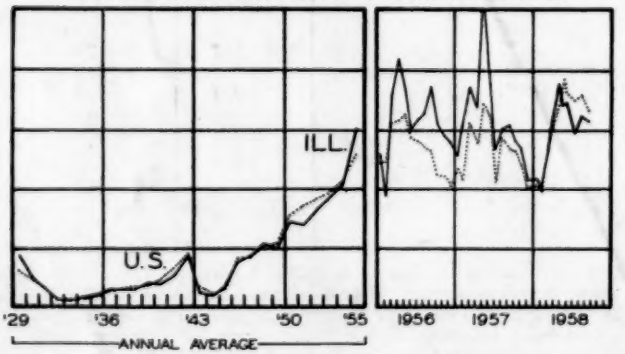
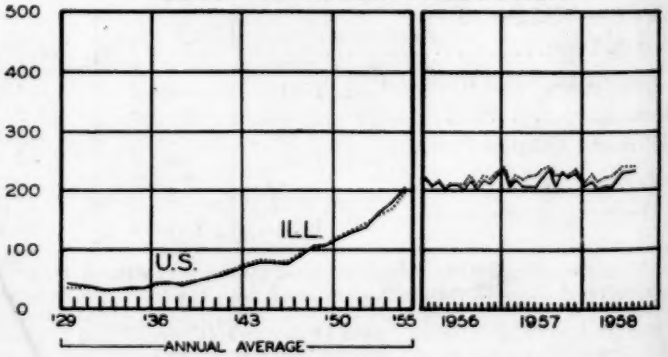
BUSINESS LOANS



CASH FARM INCOME



CONSTRUCTION CONTRACTS AWARDED



ELECTRIC POWER PRODUCTION